

## Message Text

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ACTION NEA-10

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TAGS: ECON, PFOR, CE, LY, PINT

SUBJ: SRI LANKA AND LIBYA SIGN ECONOMIC COOPERATION AGREEMENT

1. SUMMARY. AN AGREEMENT ON ECONOMIC COOPERATION BETWEEN SRI LANKA AND LIBYA SIGNED MARCH 19, UNDER WHICH LIBYA WILL ADVANCE \$105 MILLION AGAINST TEA PURCHASES OVER THE NEXT THREE YEARS, WILL PROVIDE THE GSL WITH FUNDS TO FINANCE MASSIVE IMPORTS OF CONSUMER GOODS AND TO CREATE PUBLIC WORKS JOBS BEFORE ELECTIONS DUE THIS SUMMER. END SUMMARY.

2. BEGIN UNCLASSIFIED. FOLLOWING THREE DAYS OF TALKS, SRI LANKA AND LIBYA SIGNED AN AGREEMENT ON MARCH 19 UNDER WHICH LIBYA WILL ADVANCE \$105 MILLION FOR TEA PURCHASED FROM SRI LANKA OVER THE NEXT FOUR YEARS. TOTAL PURCHASES COULD REACH \$120 MILLION. THE TWO COUNTRIES ALSO AGREED TO ESTABLISH TWO JOINT PROJECTS IN SRI LANKA IN ANIMAL HUSBANDRY AND FISHERIES WITHIN THE NEXT THREE MONTHS. EACH OF THESE PROJECTS WILL HAVE A CAPITAL OF \$5 MILLION WITH EQUAL CONTRIBUTIONS FROM EACH COUNTRY. FINANCE MINISTER FELIX DIAS BANDARANAIKE SIGNED FOR SRI LANKA AND TREASURY SECRETARY LIMITED OFFICIAL USE

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MUHAMMAD AL-ZARUQ RAJAB SIGNED FOR LIBYA.

3. LIBYAN TEA PURCHASES WILL BE MADE AT COMPETITIVE PRICES THROUGH REGULAR COLOMBO AUCTIONS. ACCORDING TO PRESS REPORTS, LIBYA WILL ADVANCE APPROXIMATELY \$105 MILLION BY THE END OF MARCH. THE AGREEMENT SPECIFIES THAT SRI LANKA WILL SUPPLY PACKETED TEAS FROM APRIL 1977 TO 1981. BETWEEN APRIL AND

DECEMBER 1977, LIBYA WILL BUY 7,000 TONS OF PACKETED TEAS; THEREAFTER TI WILL BUY 10,000 TONS ANNUALLY. A MAXIMUM OF 20 PERCENT OF THE ADVANCE WILL BE DEDUCTED EACH YEAR. PRICE LEVELS WILL BE REVIEWED EVERY SIX MONTHS, AND IF ANNUAL PURCHASES EXCEED 20 PERCENT OF THE ADVANCE THE LIBYAN GOVERNMENT WILL PAY THE DIFFERENCE.

4. AT THE SIGNING CEREMONY THE EVENING OF MARCH 19, FINANCE MINISTER BANDARANAIKE SAID SRI LANKA VERY MUCH APPRECIATED THE NEW RELATIONSHIP WITH LIBYA. HE RECALLED THE VERY SUCCESSFUL VISIT OF COL. QADHAFI DURING LAST AUGUST'S NON-ALIGNED SUMMIT CONFERENCE AND SAID THE PRESENT AGREEMENT WAS THE RESULT OF CONVERSATIONS BETWEEN COL. QADHAFI AND PRIME MINISTER BANDARANAIKE AT THAT TIME. THE FINANCE MINISTER SAID SRI LANKA AND LIBYA WERE SIMILAR IN OUTLOOK AND IDEAS. HE STATED THAT DESPITE SRI LANKA'S FOREIGN EXCHANGE PROBLEMS, WHICH HE SAID WERE NOW EASING, THE COUNTRY HAS ALWAYS SUPPORTED THE DECISION OF OPEC COUNTRIES TO RAISE PETROLEUM PRICES. HE ADDED THAT SRI LANKA WAS NOW HAPPY THAT THE OPEC DECISION HAD HELPED BOOST WORLD PRICES OF OTHER COMMODITIES.

5. TREASURY SECRETARY RAJAB REPLIED THAT SRI LANKA AND LIBYA HAD BOTH SUFFERED FROM COLONIALISM AND THE NON-ALIGNED CONFERENCE HAS BROUGHT THE TWO COUNTRIES CLOSER TOGETHER. HE COMPLIMENTED SRI LANKA AND PRIME MINISTER BANDARANAIKE FOR STANDING BY THEIR PRINCIPLES DURING THE OIL CRISIS IN SPITE OF GREAT TEMPTATION AND STRESSED THE NEED FOR A NEW WORLD ECONOMIC ORDER.

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6. ON MARCH 20, SECRETARY RAJAB AND OTHER MEMBERS OF THE LIBYAN DELEGATION TOOK A ONE DAY TRIP TO THE REPUBLIC OF MALDIVES. END UNCLASSIFIED.

7. BEGIN LIMITED OFFICIAL USE COMMENT. AS SRI LANKA EXPORTED ABOUT 10,200 TONS OF PACKETED TEA TO LIBYA IN 1975 (LATEST FULL-YEAR FIGURES), THIS AGREEMENT DOES NOT INDICATE ANY INCREASE IN THE VOLUME OF EXPORTS TO LIBYA. AN ADVANCE OF \$105 MILLION, HOWEVER, IS JUST WHAT THE FINANCE MINISTER HAS BEEN LOOKING FOR TO FINANCE MASSIVE IMPORTS OF CONSUMER GOODS AND TO GENERATE PUBLIC WORKS EMPLOYMENT BEFORE GENERAL ELECTIONS THIS SUMMER. END LIMITED OFFICIAL USE.  
REED

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## Message Attributes

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